

Deutsche Banc Alex. Brown

# Deutsche Banc Alex. Brown Special Opportunities Fund

Investing in funds managed by Bain Capital



Deutsche Bank









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The value of an investment in the Fund may fluctuate. No assurance can be given that the Fund's investment objectives will be achieved or that the investors will receive a return of all or any part of their capital.

## Unique Investment Opportunity

Deutsche Banc Alex. Brown Special Opportunities Fund LLC (the "Fund") is being formed to provide a limited number of sophisticated clients of Deutsche Banc Alex. Brown and Deutsche Bank Securities Inc. ("DBSI") the exclusive opportunity to invest in a diversified portfolio of funds managed by Bain Capital, LLC and its affiliates ("Bain Capital"), one of the world's leading alternative asset management firms. The Fund provides investors the unique opportunity to invest in funds managed by Bain Capital which are generally closed to new investors or whose minimum investment requirements are often substantially higher than the Fund's minimum investment requirement.

Deutsche Banc Alex. Brown's decade-long relationship with Bain Capital has enabled the Fund to obtain a position in each of the strategies managed by Bain Capital. With this single investment, Fund investors will participate in a variety of Bain Capital's synergistic investment strategies that have produced outstanding results, including venture capital, traditional leveraged buyouts, European private equity, high yield and public equity investment funds. The Fund will have exposure to a diversified portfolio of middle market and larger size companies, established and start-up companies, public and private companies and U.S. and non-U.S. companies.

Bain Capital's investment professionals invest in private and public equity, as well as mezzanine and high yield investments. The cross-fertilization of perspectives and expertise among Bain Capital's investment professionals when considering investments at each stage of a company's development and at each point in the capital structure is a strategic advantage for the Fund.

The objective of the Fund is to achieve an annual rate of return on invested capital in excess of the returns generated by conventional investments in the public equity market and the private equity market. While no assurances can be made with regard to the Fund's success, DBSI believes that, based upon Bain Capital's demonstrated track record, the ability of its professionals and its extensive relationships and resources, this objective can be achieved.

## Bain Capital

Founded in 1984, Bain Capital is a global investment firm with approximately 100 investment professionals managing over \$10 billion of alternative assets. Bain Capital's extensive experience includes reviewing over 10,000 transactions and making over 750 investments across its funds.

Bain Capital's first five private equity funds achieved an average annualized rate of return of approximately 173% per annum on all realized investments and 88% per annum on all investments through December 31, 1999. DBSI believes that these returns are among the highest returns in the private equity community over the 16-year period during which Bain Capital has been investing. Bain Capital has successfully extended its leading franchise into other areas where it is able to apply its value-added investment approach, including mezzanine, public equity and high yield debt funds.

The investment professionals of Bain Capital have personally committed to invest more than \$400 million in the investment funds in which the Fund is expected to invest. The incentives of Bain Capital's investment professionals are clearly aligned with those of investors in the Fund as both will look to the performance of investments made by such investment funds as the primary source of economic reward.

# Key Elements of Bain Capital's Investment Strategy

Bain Capital's investment philosophy is characterized by its demonstrated belief that a combination of strong management, sound fundamental business analysis, focused strategy, and aggressive action substantially improves a business's profits and value. Bain Capital's strategy is to combine state-of-the-art financial engineering with proven operating skills to grow sales, increase profitability and build long-term value.

Bain Capital's success has been based on a number of strategic elements, including:

- **Highest Quality People.** Bain Capital seeks to attract and retain individuals who have demonstrated exceptional ability in sourcing, analyzing, financing, negotiating, and structuring investments. Bain Capital's investment professionals possess extensive experience in consulting, banking, finance, law, industry and academia.
- **Proven Analytical Approach.** Bain Capital's exhaustive commitment of human resources to the due diligence process enables it to carry out a comprehensive financial and strategic analysis of each potential investment. The strategic evaluation typically includes market research, customer and supplier interviews, product and cost comparisons with a company's key competitors, and management interviews and reference checks. One of the most important assessments is calibrating the strengths and weaknesses of the management team. Bain Capital has substantial expertise in evaluating management capability due to its accumulated experience working intimately with its many portfolio companies. The due diligence process also includes a detailed analysis of each company's capital structure and access to capital, as well as regulatory, tax and legal considerations.
- **Proprietary Deal Flow.** The quality and quantity of investment opportunities seen by Bain Capital is the lifeblood of its alternative asset management business. Bain Capital believes that it will continue to see excellent opportunities because of its:
  - *Personal Contacts.* Bain Capital enjoys extensive, high-quality industry contacts through its network of more than 150 private equity portfolio companies and the comprehensive experience of its investment professionals. Portfolio company executives are an extremely helpful and efficient source of information regarding industry performance and trends, competitive dynamics, management references, and further industry contacts. In addition, Bain Capital's limited partners include over 75 CEO or senior-level executives, as well as numerous investors with industry expertise with whom Bain Capital has built relationships over the years.
  - *Relationships with Leading Investment Banks and LBO Sponsors.* Due to its strong relationships, Bain Capital is presented with numerous opportunities from leading investment banks. In addition, other sponsor groups approach Bain Capital to partner in leveraged acquisitions.
  - *Reputation for Integrity and Excellence.* As a result of its outstanding reputation, potential targets often approach Bain Capital directly with situations which present proprietary investment opportunities.
- **Value-Added Support for Portfolio Companies.** Bain Capital's high ratio of investment professionals to assets under management enables it to provide its portfolio companies with high levels of ongoing strategic advice and support (including serving on corporate boards and

temporarily filling operating positions). The Bain Capital team includes individuals with proven operational capabilities to support a company's management team in achieving the profit improvement and value enhancement opportunities identified in the business plan developed by Bain Capital prior to making each investment. Each investment is predicated on a detailed understanding of how Bain Capital can build value. Investment themes that Bain Capital has employed to build value include:

- Strategic growth platforms
  - Industry consolidations
  - Turnaround opportunities
  - Situations where Bain Capital's comprehensive industry analysis led it to take a contrarian market view
  - Situations where Bain Capital believed it could unlock value through a change in management or strategic direction
- **Diversified Investment Portfolios.** Because Bain Capital's investment team is comprised of more than 100 professionals with extensive and diverse industry expertise, the firm has successfully assembled diversified portfolios consisting of companies from numerous industries. Set forth below is the industry composition of private equity investments made by Bain Capital.

**Bain Capital Private Equity Investments  
Breakdown of Industry Investments  
(\$ millions)**

<b>Industry</b>	<b>Number of deals</b>	<b>Investment amount</b>
Consumer Products	29	398
Information/New Economy	32	283
Media/Telecom	13	273
Business Services	20	221
Healthcare	15	183
Retail	16	172
Industrial & Manufacturing	19	156
Hardware Technology	7	132

## Identified Funds

The Fund intends to make investments in the following Bain Capital funds:

Fund	Target Allocation
<ul style="list-style-type: none"> <li>• <i>Bain Capital Fund VII</i> – Private equity investments in middle market and larger transactions</li> </ul>	15.0-20.0%
<ul style="list-style-type: none"> <li>• <i>Bain Capital VII Coinvestment Fund</i> – Participating with Fund VII to finance private equity investments in larger transactions that require more than \$100 million in equity to be invested</li> </ul>	25.0-32.5%
<ul style="list-style-type: none"> <li>• <i>Bain Capital European Private Equity Fund</i> – To be organized to make private equity investments in companies located primarily in Western Europe</li> </ul>	12.5-25.0%
<ul style="list-style-type: none"> <li>• <i>Bain Capital Sankaty Fund</i> – Leveraged total return fund to be organized to make investments in secured bank loans, high yield bonds and other special opportunities, including private equity</li> </ul>	20.0-25.0%
<ul style="list-style-type: none"> <li>• <i>Bain Capital Venture Fund</i> – To be organized to make venture capital investments in private companies</li> </ul>	Up to 12.5%
<ul style="list-style-type: none"> <li>• <i>Brookside Capital Partners Fund</i> – Investments in long or short positions of public and late-stage private companies</li> </ul>	Up to 15.0%

The Fund may also make investments in other funds managed by Bain Capital based upon the particular investment opportunities and their impact on the Fund's overall portfolio diversification.



## Bain Capital Fund VII

Fund VII will invest in middle market and selective large leveraged acquisitions, growth capital investments and restructurings, which have been the primary focus of Bain Capital's private equity investment activity. As set forth below, Bain Capital's first five private equity funds have achieved an average annualized rate of return of approximately 173% per annum on all realized investments and 88% per annum on all investments through December 31, 1999. Fund VI has recently been invested and its existing investments will take time to harvest. Additional information regarding private equity investments made by Bain Capital is set forth on pages 16-21.

**Bain Capital Private Equity Returns in Funds I – V**  
**September 30, 1984 – December 31, 1999**  
 (\$ millions)

<b>Fund</b>	<b># of companies</b>	<b>Total Bain Capital investment</b>	<b>Total realized or estimated value</b>	<b>Annualized IRR</b>
Fund I	21	38.2	211.1	173.3%
Fund II	37	113.5	819.9	79.4%
Fund III	20	52.2	212.7	53.2%
Fund IV	28	270.3	1,262.6	96.1%
Fund V	31	428.9	855.5	78.6%
Total Funds I – V	115	881.4	3,276.8	88.0%
Total All Realized Investments	83	458.2	2,757.8	173.2%

## Bain Capital VII Coinvestment Fund

Coinvestment Fund VII will participate in larger private equity investments where Bain Capital believes it can achieve high rates of return. Bain Capital has led a number of large LBOs which, given the firm's selectivity, have generated attractive returns. In transactions where Fund VII invests more than \$100 million in equity, Coinvestment Fund VII and Fund VII will each invest 50% of the investment amount above \$100 million.

Bain Capital has participated in a number of attractive, larger investment opportunities. In excess of 40% of the assets of each of Funds V and VI were invested in larger transactions requiring more than \$100 million in equity. Bain Capital's track record in sponsoring and investing in large transactions underlines the attractiveness of its strategy of analyzing larger transactions.

**Bain Capital Private Equity Investments  
Summary of Large Transactions in Funds IV and V  
(\$ millions)**

Company	Investment date	Total equity	Bain Capital investment amount <sup>(a)</sup>	Realized amount	Estimated 9/30/00 value <sup>(b)</sup>	Total value	Implied annual IRR <sup>(c)</sup>	Average annual IRR <sup>(d)</sup>
Steel Dynamics	Jun-94	138.0	20.4	111.9	2.5	114.4	82.2	
Waters	Aug-94	72.0	29.8	228.5	-	228.5	227.9	
ICON Health & Fitness	Nov-94	160.0	50.9	-	15.0	15.0	(30.2)	
Dade Behring	Dec-94	85.0	29.8	242.0	14.9	256.9	60.5	
DDi	Aug-96	125.2	56.5	23.2	364.7	387.9	105.5	
Experian	Sep-96	345.0	104.0	298.8	-	298.8	6,636.3	
Seat	Oct-97	500.0	24.6	326.6	223.4	550.0	238.4	
Sealy Mattress	Dec-97	144.0	56.8	-	56.8	56.8	0.0	
		1,569.2	372.3	1,232.0	677.3	1,909.3		198.6%

(a) Bain Capital amounts include the equity funds and its affiliated coinvestors

(b) Valuation as of September 30, 2000 as determined by Bain Capital

(c) Before expenses, fees and Bain Capital's carried interest

(d) Average annual IRR is calculated assuming all initial investments occurred at time zero



Beginning with Fund VI, Bain Capital introduced Coinvestment Fund VI to offer its investors an opportunity for greater participation in its larger investments. Coinvestment Fund VI participated in six large transactions alongside Fund VI, and, while returns will take time to materialize, Bain Capital believes that these investments will produce returns comparable to those generated in its middle market activity.

**Bain Capital Private Equity Investments  
Summary of Large Transactions in Fund VI  
(S millions)**

<b>Company</b>	<b>Investment date</b>	<b>Total equity</b>	<b>Bain Capital investment amount<sup>(a)</sup></b>
Domino's	Dec-98	\$355.0	\$202.5
Mattress Holdings	Aug-99	118.7	40.5
Buhrmann	Oct-99	350.0	109.1
Shoppers Drug	Apr-00	621.0	70.9
US LEC	Apr-00	200.0	94.0
CTC	May-00	200.0	70.9

<sup>(a)</sup> Bain Capital amounts include the equity funds and its affiliated coinvestors

# Bain Capital European Private Equity Fund

Bain Capital has been making investments in Europe since 1989, and has invested more than \$200 million in seven Europe-related transactions which have generated a cumulative IRR of 104%. Based in London, Bain Capital (Europe) currently has 12 multi-national professionals dedicated to making European investments. The firm intends to add additional personnel and to establish a presence in Munich in the near future.

## Target Investments

Bain Capital's strategy for making private equity investments in Europe is consistent with the strategy it employs in the United States. The fund will leverage Bain Capital's broad network of contacts in industry, investment banks and other private equity funds to identify attractive opportunities. The fund will conduct extensive due diligence prior to making an investment and will apply Bain Capital's techniques for enhancing value by focusing on operating improvements after an acquisition closes.

Bain Capital intends to focus its investment activities in Europe on a diversified mix of traditional and new economy investments, including:

- **Corporate Carve-Outs, Restructurings and Expansions.** Bain Capital has extensive experience helping large corporations facilitate complex divisional divestitures. In addition, the firm has also partnered with leading corporations to provide financing for expansion via both organic growth and acquisitions. In certain countries, particularly Germany, the fund will focus on acquiring and repositioning "non-core" assets of large conglomerates.
- **Family Owned Businesses.** An increasing number of European firms are exploring financial sponsor-backed management buy-outs and buy-ins to provide solutions for their family succession issues. Bain Capital has demonstrated success addressing the needs of many such family businesses in transition.
- **Telecommunications and Venture.** The ongoing development of the European telecommunications market is expected to create attractive opportunities to make selective venture and later stage investments.

## The European Opportunity

The Bain Capital European Private Equity Fund is expected to be launched in the first half of 2001. DBSI believes that allocating a portion of the Fund's investments to European private equity will enhance the Fund's diversification. In addition, DBSI believes that a combination of regulatory, social, economic and political trends are occurring or will occur in Europe which should create an attractive opportunity to invest in the private equity of European issuers, including:

- the introduction of the Euro, which is contributing to the emergence of a pan-European financial market with enhanced competition and increased cross border dealings
- changes in taxation, including lower marginal rates and favorable treatment of stock options, which are fostering a more entrepreneurial environment



- governmental policies encouraging business development, including economic integration and greater protection of intellectual property
- improving liquidity through an increasing number of exit routes and the development of the high yield market and high growth stock markets

**Bain Capital Private Equity Investments  
Summary of Europe-Related Transactions  
(\$ millions)**

Company	Investment date	Nation	Bain Capital Investment amount <sup>(a)</sup>	Realized amount	Estimated 9/30/00 value <sup>(b)</sup>	Total value	Implied annual IRR <sup>(c)</sup>	Average annual IRR <sup>(d)</sup>
Libri	1989	Germany	3.8	32.9	—	32.9	55.4%	
Dade Behring	1994	France, Ger., Italy, U.S.	29.8	242.0	14.9	256.9	60.5	
Seat	1997	Italy	24.6	326.6	223.4	550.0	238.4	
Buhrmann	1999	Netherlands	109.1	—	154.9	154.9	59.4	
DexterUs	2000	U.K.	12.0	—	12.0	12.0	0	
Iaxis	2000	Netherlands	24.8	—	12.4	12.4	(75.0)	
Aaxis	2000	Italy	7.0	—	7.0	7.0	0	
			210.7	602.5	424.6	1,027.1		103.8%

<sup>(a)</sup> Bain Capital amounts include the equity funds and its affiliated coinvestors

<sup>(b)</sup> Valuation as of September 30, 2000 as determined by Bain Capital

<sup>(c)</sup> Before expenses, fees and Bain Capital's carried interest

<sup>(d)</sup> Average annual IRR is calculated assuming all initial investments occurred at time zero

## Bain Capital Sankaty Fund

The Sankaty Fund will be managed by Sankaty Advisors, LLC, Bain Capital's fixed income group, which manages more than \$3.5 billion of below investment-grade assets in eight leveraged funds. Sankaty Advisors is one of the largest and most successful managers of such funds. The Sankaty Fund, which is contemplated to be structured as a market value collateralized debt obligation fund, will acquire and manage a diverse portfolio of primarily below investment-grade assets consisting of: (i) secured bank loans, (ii) public high yield debt, (iii) mezzanine investments, (iv) structured products and funds and (v) equities and special opportunity investments.

The capital structure of the Sankaty Fund will consist of limited partnership interests and committed, non-recourse debt financing. This capital structure should enable the fund to leverage its asset returns in order to enhance the total return to partnership investors. The borrowing arrangements will include a revolving facility, which will increase the fund's ability to invest on an opportunistic basis by increasing and decreasing its leverage based on market conditions. The Sankaty Fund will target a net return to investors of 15-25%.

The Sankaty Fund is expected to provide diversification benefits to the Fund because the targeted below investment-grade assets have demonstrated low correlation with investments that will be made by the other targeted investment funds. In addition, the Sankaty Fund is projected to make cash distributions of realized earnings more quickly than the private equity funds in which the Fund is expected to invest.

### Investment Process

Sankaty Advisors' 21 investment professionals have a long-term investment orientation and seek to achieve high current income and total rate of return, while managing credit risk through industry and issuer diversification. Sankaty Advisors focuses on identifying debt investments that it believes will likely outperform the market through improvements in operating results and reduction in leverage. The focus is on an investment's potential downside, rather than on its anticipated upside. Potential debt investments are reviewed on the assumption that they will be held to maturity. However, the portfolio will be actively monitored and each security will be periodically reviewed to determine whether, in absolute as well as relative terms, the returns offered for that security are attractive.

Sankaty Advisors will seek to maximize investment opportunities by investing in certain of the private equity, public equity and mezzanine opportunities presented by Bain Capital.

### Performance of Funds Managed by Bain Capital's Sankaty Advisors

Actual equity distributions in the four leveraged high yield funds scheduled to have already made distributions are meeting or exceeding their initial projections. Set forth below is a summary of the performance of assets managed by Sankaty Advisors since inception on January 15, 1998 through June 30, 2000:

	Cumulative Return	Average Quarterly Return
Sankaty High Yield Portfolios	7.15%	0.73%
Bear Stearns High Yield Cash Pay Index	2.86%	0.31%
Sankaty Bank Loan Portfolios	24.35%	2.20%
DLJ Leveraged Loan Index	12.28%	1.17%



## Bain Capital Venture Fund

Bain Capital's investment approach, which focuses on defining the market, assessing industry attractiveness and evaluating a company's competitive and financial position, is well-suited for venture investing. The Bain Capital Venture Fund (which is expected to be launched in the fourth quarter of 2000) will be Bain Capital's primary vehicle for venture capital investments. The fund is expected to primarily target technology-based companies that are involved in business transformation, including software, telecommunications, hardware, business services and media.

The common theme underlying Bain Capital's venture capital investments is the high-growth nature of the industries in which the investee companies operate and the active role played by Bain Capital in identifying additional management expertise and providing general business advice. Bain Capital intends to make venture capital investments in emerging growth companies in different stages of development.

During the seed stage in which, for example, an entrepreneur is seeking capital to conduct research or finish a business plan, the venture company will benefit from the strategic direction Bain Capital can provide based upon the consulting and industry expertise of its investment professionals. During the early stage in which a company may be developing products and seeking capital to commence manufacturing, Bain Capital can help build-out the company's management and infrastructure and introduce the company to potential customers, suppliers and strategic partners. For late stage investments in which a profitable or near-profitable high-growth company may be seeking further expansion capital, Bain Capital can draw on its extensive mergers and acquisition and capital markets expertise (including having completed more than 75 add-ons for portfolio companies) to identify opportunities. The capital markets expertise of Brookside Capital Partners, Bain Capital, LLC's public equity affiliate, is helpful in developing exit strategies and the high yield and mezzanine expertise of Sankaty Advisors is helpful in understanding and addressing the capital needs of venture companies. Bain Capital has taken approximately 25 companies public with over \$35 billion in market capitalization as of September 30, 2000.

- **Extensive Network for Sourcing Deals.** With offices in Boston, New York, San Francisco and London, the firm has investment professionals in some of the most active venture capital regions. Bain Capital is able to leverage its extensive network of deal sources, including the personal network of its over 100 investment professionals and 150 private equity portfolio companies. In addition, the fund is expected to have a value-added investor group of leading technology executives and entrepreneurs.
- **Extensive Due Diligence.** Bain Capital's high ratio of investment professionals to managed capital and its broad industry expertise and contacts permit it to conduct extensive primary due diligence prior to making an investment.
- **Value-Added Support.** Once an investment is made, Bain Capital's investment professionals can provide high levels of ongoing strategic advice and support. Bain Capital intends to take an active role in its investee companies, including board representation (Bain Capital's professionals currently serve on approximately 50 corporate boards). Bain Capital can also draw from its in-house staff of portfolio company executives to provide for potential management talent. In addition, the majority of its investment professionals have strategic consulting or operations backgrounds.

# Brookside Capital Partners Fund

The fund attempts to generate a long-term return in excess of that generated by the overall U.S. public equity market while reducing the market risk of the portfolio through selective short positions. In addition to Brookside Capital Partners Inc.'s 14 investment professionals, the fund utilizes the industry expertise and contacts of its affiliates to rigorously analyze investment ideas according to Bain Capital's strategic investment methodology. The fund typically makes investments in small and mid-cap public securities at prices believed to be below their intrinsic value based on a company's normalized cash flow, growth potential and/or asset value. As of September 30, 2000, the fund had approximately \$1.5 billion under management.

## Brookside Fund Strengths

- *Strategic Investment Methodology.* Detailed fundamental strategic and financial analysis has been critical to the success of the fund by providing the ability to properly assess both an investment's risk and its potential upside. Brookside Capital's fundamental research includes detailed analyses of industry attractiveness, competitive position, management, key risks and opportunities, and valuation versus competitors.
- *Idea Generation.* The fund generates quality investment ideas through its unique network of investment professionals, including Bain Capital's private equity and below investment-grade specialists, portfolio companies and limited partners. For example, in managing its existing portfolio companies and in evaluating potential acquisitions of private companies, Bain Capital routinely completes detailed industry analyses that identify attractive industries and public companies as potential investments.

## Type of Investments

- *Growth Investments.* Quality growth companies gaining market share in an attractive industry due to exceptional capabilities in product development and sales and marketing.
- *Value Investments.* Including well-positioned companies in out-of-favor industries, cyclical stocks at the bottom of their business cycle, stocks that have been depressed for the "wrong reasons" and companies going through complicated spin-offs or restructurings whose value is not being recognized in the marketplace.
- *Crossover Capital.* Unregistered securities that provide a company with the expansion capital needed to pursue its growth goals and strategic plan. Bain Capital seeks to build strong relationships with outstanding companies regardless of their stage of development. Up to 20% of the fund's assets may be allocated to private investments.
- *Distressed Securities.* Bain Capital has significant experience analyzing the risk and reward trade-offs of different layers of the capital structure through its activities as both an equity sponsor and mezzanine investor in leveraged transactions, and its capital markets experience developed through the issuance by portfolio companies of high yield securities and investments managed by Sankaty Advisors. Performance of this asset class has historically had a low correlation to the stock market.



The fund generally employs modest leverage to enhance returns, with a typical invested position of 110% long and 50% short, providing a 60% net long position. Short positions are opportunistically employed to reduce portfolio volatility. Typical short positions include industry pair trades (attempting to be long industry winners and short losers), strategically impaired companies or hedging techniques to isolate particular investment themes.

**Brookside Capital Partners Fund, L.P.**  
**As of September 30, 2000**  
**Portfolio Returns (unaudited)**

	Year-to-date 2000	1999	1998	1997	Since inception <sup>(1)</sup>
Brookside Fund (gross)	8.2%	74.6%	27.5%	28.9%	222.4%
Brookside Fund (net) <sup>(2)</sup>	5.9%	58.2%	20.8%	21.8%	153.9%
Russell 2000 Index	4.2%	21.4%	(2.2%)	22.4%	61.6%

<sup>(1)</sup> October 31, 1996

<sup>(2)</sup> Performance allocation for 2000 is estimated. Performance is calculated net of expenses and performance allocation using the time-weighted rate of return method. Time-weighted results equally weight the investment returns in each quarter. Past performance is not indicative of future results.

## Summary of Offering

- Manager: Deutsche Bank Securities Inc.
- Investment Objective: The Fund will attempt to achieve an annual rate of return on invested capital in excess of the returns generated by conventional investments in the public equity market and the private equity market by investing in funds managed by Bain Capital. DBSI anticipates investing in at least five funds, which will comprise at least 90% of the portfolio. The remaining balance of the portfolio may be comprised of direct investments in private companies parallel with one or more such funds and secondary investments in funds managed by Bain Capital.
- Minimum Investment: \$1,000,000
- Commitment Period: 5 years
- Qualified Investors: Individual investors who own at least \$5,000,000 of investments
- Initial Capital Commitment: 10% of Capital Commitment
- Capital Drawdowns: Capital calls are expected to be made not more than quarterly to meet capital calls by the underlying funds.
- Reporting: Annual audited financial statements as soon as practicable. In addition, the Fund will distribute quarterly unaudited performance updates, except for the last quarter. It is expected that the annual tax information from the underlying funds will not be received in sufficient time to permit the Fund to incorporate such information into its own annual tax information and to distribute such information to U.S. investors prior to April 15 of each year. Investors should expect to file an extension.
- Distributions: Generally, net proceeds will be distributed as they are received to a designated Deutsche Banc Alex. Brown account unless otherwise instructed.
- Termination: Anticipated to be 10 years from the date of final closing subject to extension to accommodate the termination of the underlying funds.
- Placement Fee: 2% placement fee on commitments
- Management Fee: Capital commitments are subject to an annual management fee of 1.25% paid quarterly in advance. There will be no carried interest.
- Legal Counsel: Cadwalader, Wickersham & Taft
- Auditors: PricewaterhouseCoopers, LLP

## Appendix – Bain Capital Private Equity Investments

**Table I**  
**Summary of all Bain Capital Private Equity Investments (Funds I – V)**

(S thousands)	Date of investment	Investment amount	Realized or estimated amount <sup>(1)</sup>	Implied annual IRR <sup>(2)</sup>	Average annual IRR <sup>(2)(3)</sup>
Key Airlines	1984	\$ 2,000	\$ 5,369	52.9%	
Holson Burnes Group	1986-92	10,010	22,621	20.9	
Accuride	1986	2,604	61,219	1,122.8	
Vetco Gray	1988	3,776	15,995	66.4	
Handbag Holdings	1988-91	4,189	993	(26.9)	
PPM	1988	2,164	254	(65.7)	
Stage Stores (SRI)	1988-92	9,587	184,432	62.9	
Libri	1989	3,750	32,936	55.4	
A8RY Communications	1989-90	4,290	30,430	55.1	
Damon	1989	3,395	10,860	37.9	
Polymerics/Tulip	1989	4,201	0	-	
Gartner Group	1990	3,458	55,380	216.2	
Brookstone	1991	4,181	47,213	126.1	
Masland	1991	10,442	69,948	132.9	
EduServ Technologies	1991-93	4,132	400	(29.6)	
Leiner	1992	2,776	9,171	27.0	
American Pad & Paper	1992	5,060	107,181	130.0	
Duane Reade	1992	16,080	58,924	31.1	
Preferred Technical Group	1992	6,958	74,545	207.7	
Gilbert Engineering	1992	3,145	85,218	128.2	
GS Industries	1993	24,518	58,402	416.3	
GT Bicycles	1993	6,376	31,858	70.7	
Stream Int'l/Corp Soft/Modus Media	1993	9,577	20,587	29.3	
PSI	1993	6,511	13,025	12.2	
Totes	1994	9,410	9,410	0.0	
Steel Dynamics	1994	18,263	103,960	82.5	
Physio Control	1994	8,524	176,876	844.4	
Waters	1994	26,633	204,516	227.9	
ICON Health & Fitness	1994	45,534	13,379	(43.8)	
Small Fry/Humpty Dumpty	1994	3,357	5,948	20.7	
FTD	1994	5,711	5,711	0.0	
Dade International	1994	26,669	229,898	61.0	
Investment Resource Mgmt.	1995	4,533	4,152	(3.1)	
Auto Palace/ADAP	1995	4,976	2,166	(22.7)	
Alliance Entertainment	1995	25,137	10,021	(84.1)	
Jostens Learning	1995	13,616	0	-	
Wesley Jessen VisionCare	1995	6,424	303,382	315.5	
Jtech	1995	3,751	3,751	0.0	
Miltex Instruments	1995	4,926	2,463	(16.3)	
Cambridge Industries	1995	15,749	0	-	
Argencard	1995	4,312	6,740	13.8	
Sportcraft	1995	4,329	1,082	(29.3)	
AMF Bowling	1996	18,598	5,358	(42.8)	
The Lifelike Company	1996	2,108	2,108	0.0	
Clarity Telecom	1996	6,702	24,478	60.2	
Medical Specialties	1996	9,628	2,407	(32.7)	
Bocchi Laboratories	1996	4,286	4,286	0.0	
Dynamic Details	1996	40,573	69,758	36.2	



(\$ thousands)	Date of investment	Investment amount	Realized or estimated amount <sup>(1)</sup>	Implied annual IRR <sup>(2)</sup>	Average annual IRR <sup>(2)(3)</sup>
PiRod	1996	\$ 6,408	\$ 6,408	0.0%	
Physicians Quality Care	1996	15,596	2,339	(52.3)	
Experian	1996	87,633	251,884	6,636.3	
62nd Street Broadcasting	1996	12,383	3,096	(40.4)	
Walco International	1997	11,985	11,985	0.0	
Tricor Packaging/Kranson	1997	3,020	29,044	147.3	
Autosystems Manufacturing	1997	9,761	3,335	(44.1)	
Therma-Wave	1997	9,203	9,203	0.0	
Premier 8 Brands/Mother's Kitchen	1997	6,516	949	(58.6)	
DoubleClick	1997	8,527	88,670	303.3	
Vivra Specialty Partners	1997	19,019	12,569	(15.9)	
Artisan Entertainment	1997	5,857	20,499	87.1	
DecisionOne	1997	11,780	0	-	
GoCom Communications	1997	9,819	9,819	0.0	
Midwest of Cannon Falls	1997	8,362	8,362	0.0	
Epsilon/DMDA	1997	8,644	8,644	0.0	
Seat	1997	17,103	173,431	241.6	
The Learning Company	1997	17,641	30,961	32.5	
Sealy Mattress	1997	40,050	40,050	0.0	
Alliance Laundry	1998	19,749	19,749	0.0	
Investments < \$2 million & venture investments		85,424	357,387	56.6	
<b>Total investments</b>		<b>\$881,409</b>	<b>\$3,277,195</b>		<b>88.0%</b>

<sup>(1)</sup> Valuations as of December 31, 1999 as determined by Bain Capital as described on page 21.

<sup>(2)</sup> Before expenses, fees and Bain Capital's carried interest.

<sup>(3)</sup> Average annual IRRs are calculated assuming all initial investments occurred at time zero. See page 21 for a further description of current valuation and IRR methodology.

**Table II**  
**Summary of all Bain Capital Private Equity Realized Investments (Funds I – V)**

(\$ thousands)	Date of investment	Investment amount	Realized amount	Implied annual IRR <sup>(2)</sup>	Average annual IRR <sup>(1)(2)</sup>
Key Airlines	1984	\$ 2,000	\$ 5,369	52.9%	
Calumet Coach	1986	1,000	34,120	478.1	
Holson Burnes Group	1986-92	10,010	22,621	20.9	
Accuride	1986	2,604	61,219	1,122.8	
GS Roofing	1986	1,388	3,879	67.1	
Vetco Gray	1988	3,776	15,995	66.4	
Handbag Holdings	1988-91	4,189	993	(26.9)	
PPM	1988	2,164	254	(65.7)	
Transtar	1988	1,120	14,446	119.8	
Stage Stores (SRI)	1988-92	9,587	184,432	62.9	
Libri	1989	3,750	32,936	55.4	
ABRY Communications	1989-90	4,290	30,430	55.1	
Damon	1989	3,395	10,860	37.9	
Polymerics/Tulip	1989	4,201	0	-	
DeVilbiss	1990	1,850	5,233	43.4	
Gartner Group	1990	3,458	55,380	216.2	
Mothercare Stores	1991	1,240	0	-	
Brookstone	1991	4,181	47,213	126.1	
Masland	1991	10,442	69,948	132.9	
Environmental Data Resources	1991-92	2,352	22,279	35.7	
EduServ Technologies	1991-93	4,132	400	(29.6)	
Leiner	1992	2,776	9,171	27.0	
American Pad & Paper	1992	5,060	107,181	130.0	
Duane Reade	1992	16,080	58,924	31.1	
Preferred Technical Group	1992	6,958	74,545	207.7	
Eastman Office Products	1992	1,906	8,805	511.4	
Gilbert Engineering	1992	3,145	85,218	128.2	
Nutraceutical <sup>(3)</sup>	1993	1,691	28,920	80.6	
GS Industries <sup>(4)</sup>	1993	8,283	33,884	416.3	
GT Bicycles	1993	6,376	31,858	70.7	
Stream Int'l/Corp Soft/Modus Media	1993	9,577	17,645	29.3	
OneSource Information <sup>(3)</sup>	1993	1,670	35,147	63.9	
Oasis Healthcare	1994	3,691	7,680	18.1	
Steel Dynamics <sup>(3)</sup>	1994	18,263	103,960	82.5	
Physio Control	1994	8,524	176,876	844.4	
WEFA Associates	1994	1,850	17,385	145.0	
Waters	1994	26,633	204,516	227.9	
Small Fry/Humpty Dumpty <sup>(3)</sup>	1994	3,357	5,948	20.7	
Dade International <sup>(5)</sup>	1994	13,335	216,556	61.0	
Investment Resource Mgt.	1995	4,533	4,152	(3.1)	
Auto Palace/ADAP	1995	4,976	2,166	(22.7)	
Alliance Entertainment	1995	25,137	10,021	(84.1)	
Jostens Learning	1995	13,616	0	-	
Wesley Jessen VisionCare <sup>(3)</sup>	1995	6,424	303,382	315.5	
Clarity Telecom	1996	6,702	24,478	60.2	
Dynamic Details (DDi) <sup>(6)</sup>	1996	4,215	19,531	36.2	
Experian	1996	87,633	251,884	6,636.3	
Tricor Packaging/Kranson	1997	3,020	29,044	147.3	
DoubleClick	1997	8,527	88,670	303.3	
Artisan Entertainment	1997	5,857	20,499	87.1	
DecisionOne	1997	11,780	0	-	
Investments < \$1 million & venture investments		55,468	161,725	37.4	
<b>Total investments</b>		<b>\$458,192</b>	<b>\$2,757,778</b>		<b>173.2%</b>

- (1) Before expenses, fees and Bain Capital's carried interest.
- (2) Average annual IRRs are calculated assuming all initial investments occurred at time zero. See page 21 for a further description of current valuation and IRR methodology.
- (3) Realized amount includes public securities valued at a discount from the December 31, 1999 price, not yet distributed: Nutraceutical – \$12,505, OneSource Information – \$24,334, Steel Dynamics – \$3,813, Small Fry/Humpty Dumpty – \$1,654 and Wesley Jessen VisionCare – \$17,961.
- (4) GS Industries – to date Bain Capital has received \$33,884 on its initial investment of \$8,283 (excludes \$16,235 follow-on investment made October 1995) as shown above. As of December 31, 1999 the total cost and value of the investment are \$24,518 and \$58,402, respectively, which are included on Table I and in the calculation of its IRR of 416.3%.
- (5) Dade International – to date Bain Capital has received \$216,556 on \$13,335 of its investment. At December 31, 1999 the total cost and value of the investment are \$26,669 and \$229,898, respectively, which are included on Table I and in the calculation of its IRR of 61.0%.
- (6) Dynamic Details – to date Bain Capital has received \$19,531 on its initial investment of \$4,215 (excludes \$36,359 follow-on investment made 1997) as shown above. As of December 31, 1999 the total cost and value of the investment are \$40,573 and \$69,758, respectively, which are included on Table I and in the calculation of its IRR of 36.2%.



**Table III**  
**Summary of Recent Bain Capital Private Equity Investments<sup>(1)</sup>**

(\$ thousands)	Date of investment	Investment amount
US Synthetic	1998	\$ 17,336
SMT/Hi-Tech Manufacturing	1998	7,420
Frucor	1998	7,989
Bentley's Luggage	1998	2,975
Anthony Crane	1998	19,216
Fresh Samantha/Odwalla	1998	13,015
Epoch Senior Living	1998	24,624
Domino's	1998	188,753
Stage Stores	1998	23,324
Integrated Circuit Systems	1999	21,667
TravelCLICK	1999	15,426
ChipPAC	1999	35,023
Mattress Holdings	1999	32,161
Advanced Telecommunications	1999	27,246
netLibrary	1999	6,649
Buhrmann	1999	98,328
Camerasworld.com	1999	5,186
Stericycle	1999	25,404
Stream International	1999	19,749
Australian Electronic Manufacturing Systems	1999	16,555
Shoppers Drug Mart	2000	63,134
Dealtime.com	2000	6,303
iWon.com	2000	23,911
laxis	2000	20,518
HealthEcare	2000	3,551
USLec	2000	89,970
eTranslate	2000	3,555
DexterUs	2000	9,421
AMR Interactive	2000	3,012
Village Ventures	2000	11,569
Broder Brothers	2000	16,473
Aaxis	2000	5,585
CTC Communications	2000	67,817
Rivus Internet Group	2000	4,990
<b>Total investments</b>		<b>\$937,855</b>

<sup>(1)</sup> Includes investments made by Bain Capital Fund VI, Coinvestment Fund VI and Bain Capital Pacific Fund through May 2000.

## **Current Valuation and IRR Methodology**

### Current Valuation

Current valuation for private company investments includes all cash returns to date plus the estimated fair market value of any remaining interest held by the funds as determined by Bain Capital as of the date of such valuation. Current valuation for investments in public companies are valued at the price of the last trade on the date of such valuation as quoted in *The Wall Street Journal*, less a discount for illiquidity plus all cash returns to date.

### IRR Methodology and Calculation

Implied annual internal rates of return are based on the total Bain Capital investment in each portfolio company from the date of investment until the date(s) when proceeds were received. For investments currently held, the estimated fair market value of the remaining interest in the company is assumed to be the terminal cash flow.

Portfolio companies that were acquired in separate transactions and have been subsequently merged are treated as a single investment.

Internal rates of return calculations are before taking into consideration fees, expenses and the General Partner's carried interest.

Overall IRR calculations, as well as for the various groupings contained in Table I and Table II, are compounded quarterly assuming all initial investments in each portfolio company occur at time zero.

### Projections

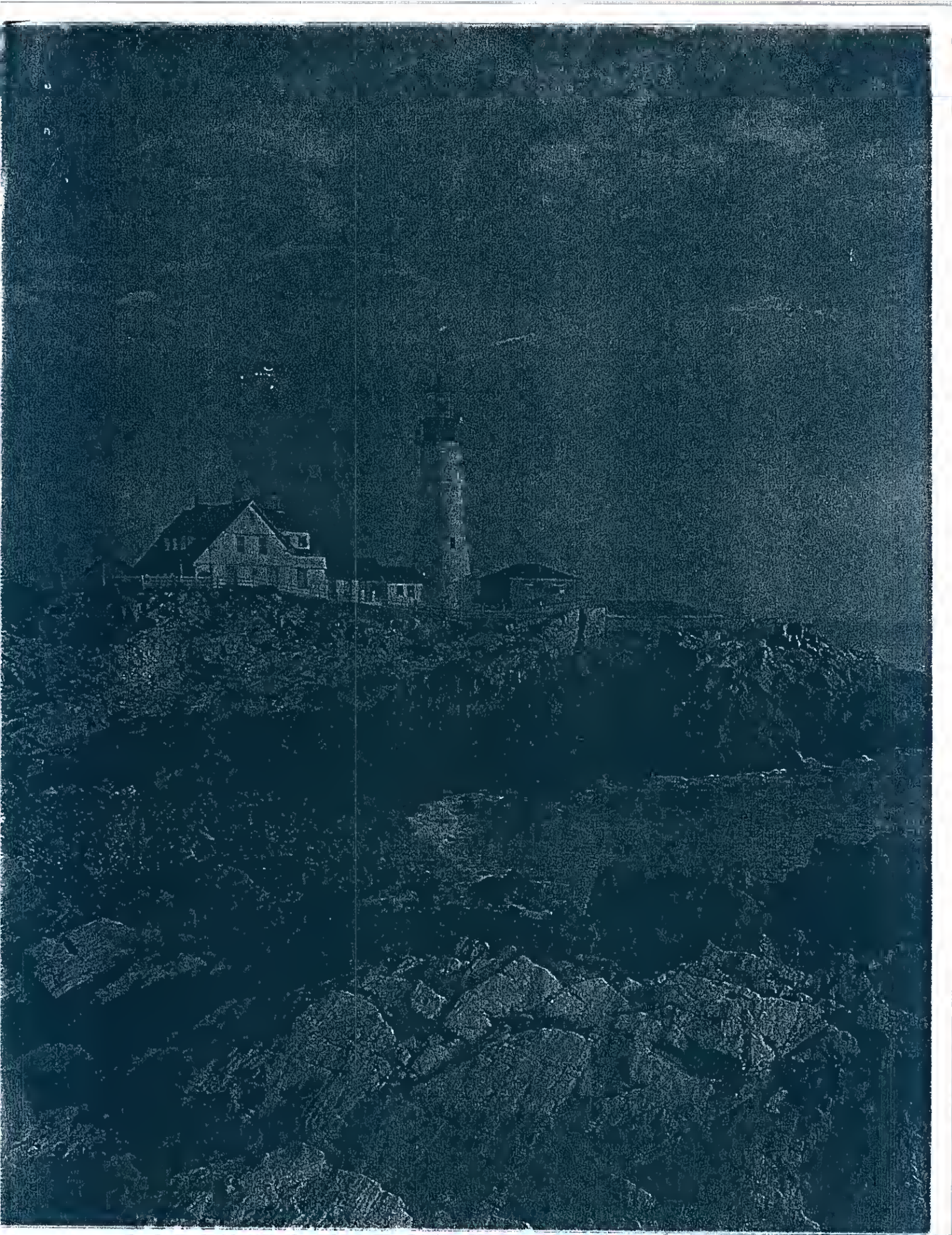
Return information provided herein is based on historical results of Bain Capital private equity funds and does not necessarily indicate future returns. The performance data is provided for illustrative purposes only and should not be construed as a representation as to the performance of the Fund.

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